



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	05/09/00	Bill No:	SB 1982
Tax:	Local Sales and Use	Author:	Alpert
Board Position:		Related Bills:	SCA 18 (Alpert) SB 2000 (Polanco) SCA 17 (Polanco) AB 1396 (Villaraigosa)

BILL SUMMARY:

This bill would make legislative findings and declarations with respect to state-local finance.

ANALYSIS:

Current Law:

The Bradley-Burns Uniform Local Sales and Use Tax Law (commencing with Section 7200 of the Revenue and Taxation Code) authorizes counties to impose a local sales and use tax. The rate of tax is fixed at 1 ¼ percent of the sales price of tangible personal property sold at retail in the county, or purchased outside the county for use in the county. All counties within California have adopted ordinances under the terms of the Bradley-Burns Law

Under the Bradley-Burns Law, the ¼ percent tax rate is earmarked for county transportation purposes, and 1 percent may be used for general purposes. Cities are authorized to impose a sales and use tax rate of up to 1 percent, which is credited against the county rate so that the combined local tax rate under the Bradley-Burns Law does not exceed 1 ¼ percent.

The 1 ¼ percent tax is collected by the Board, primarily from remittances by retailers. The Board currently allocates the tax to cities and counties primarily based on the retailer's place of business (i.e., situs method of allocation).

Proposed Law:

This bill declares the Legislature's intent to change the current system of state-local finance. Specifically, this bill:

Declares that local governments continue to face serious fiscal difficulties resulting from the ongoing shift of property tax revenues to the Educational Revenue Augmentation Funds.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

Declares that the fiscal health of local governments is critical to the economic well-being of the state as a whole.

Declares that it is the intent of the Legislature to do all of the following:

Require the state to provide for the payment of the schools' fair share of property tax administrative costs.

Require the state to enter into a negotiated compact with any local government that is responsible for implementing a state-mandated program.

Establish a cabinet level position in the office of the Governor that is responsible for local government issues and that will create a productive partnership between local and state government.

Require the Commission on State Mandates to render a decision on a local reimbursement claim within 180 days of the date that claim is submitted.

Include the consideration of all local government revenue sources, including sales taxes, in a meaningful discussion of the reform of the fiscal relationship between the state and local governments.

Background:

"The fiscalization of land use" refers to the concept of examining land use decisions in the context of their revenue and expenditure consequences. Because Proposition 13 reduced the revenues that would be received from property taxes from any particular development (industrial, commercial, or residential), local jurisdictions began to pay even more attention to the fiscal outcomes of land use decisions, and those uses that generated revenues in addition to property taxes have elevated in importance.

The decision by local governments to utilize land for retail sales in order to generate sales tax revenues is one example of the fiscalization of land use. Local governments have engaged in numerous activities to lure retail activity into their jurisdiction, such as zoning excessively for retail, providing sales tax rebates to retailers who locate in their jurisdiction, waiving developer fees, and expediting the permit process.

This bill is intended to address, among other issues, the fierce competition that local entities are now facing in getting as much of the Bradley-Burns (1.0%) sales and use tax revenue as they can.

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COMMENTS:

- 1. Sponsor and purpose of the bill.** This bill is sponsored by the California State Association of Counties (CSAC) in an effort to reform the state-local fiscal relationship.
- 2. Amendments to this bill since our analysis of the April 27, 2000 version are minor.** The intent language that addressed local fiscalization of land use issues in the previous version has been replaced with broader language directing the Legislature to include the consideration of all local government revenue sources, including sales taxes, in a discussion of state-local fiscal reform. In addition, this version deletes intent language to eliminate the need for residents of unincorporated communities to subsidize the use by city residents of countywide services.
- 3. Related Legislation:** This bill is intended to work in conjunction with other measures found in a proposed constitutional amendment, SCA 18 (Alpert). Those bills are similar to SB 2000 (Polanco) and SCA 17 (Polanco), another tandem reform package that is sponsored by the State Controller. The Legislature has created a conference committee centered around another bill, AB 1396 (Villaraigosa), to address issues relating to local government finance in a comprehensive package. The author has stripped the original language in this bill in order to be a part of that discussion.

COST ESTIMATE:

This bill would not result in Board costs.

REVENUE ESTIMATE:

This bill would not impact state revenues.

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